

Town of Warrenton, Virginia

Request for Proposal 03-003

Special Comprehensive Financial Audit Services

Date of This Request: August 30, 2002

Proposal Deadline: Friday, October 4, 2002, 2:00 P.M.

TOWN OF WARRENTON  
REQUEST FOR PROPOSAL - SPECIAL COMPREHENSIVE FINANCIAL AUDIT SERVICES  
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## TOWN OF WARRENTON

### REQUEST FOR PROPOSAL #03-003 SPECIAL COMPREHENSIVE FINANCIAL AUDIT SERVICES

#### I. INTRODUCTION

The Town of Warrenton (hereinafter called the "Town") invites qualified independent certified public accountants (hereinafter called the "Auditor") to submit proposals to perform a "Special Comprehensive Financial Audit". This audit is in addition to the required annual financial audit for the fiscal year ending June 30, 2002, currently under way with the Town's contracted auditors, Robinson, Farmer, Cox & Associates. The "regular annual audit" is being performed in accordance with generally accepted auditing standards, the standards for financial audits in Government Auditing Standards (1988) issued by the Comptroller General of the United States, the provisions of the U.S. Office of Management and Budget (OMB) Circular A-128, Audits of State and Local Governments, and the Specifications for Audit of Counties, Cities and Towns issued by the Auditor of Public Accounts, Commonwealth of Virginia.

A pre-proposal conference will be held, if requested, to answer any questions that might arise. General background information on the government and its operations will also be discussed at that time.

To be considered, ten copies of the proposal should be forwarded to the Town's Purchasing Agent no later than 2:00 p.m. on Friday, October 4, 2002. The proposal should clearly be marked "Proposal - Special Comprehensive Financial Audit Services".

The Audit Committee will evaluate proposals submitted. The selection criteria to be used in evaluating this proposal is detailed in Section VII and includes both technical ability and timeliness of audit. The Town anticipates that the selection of a firm will be completed by October 25, 2002.

#### II. SCOPE OF WORK TO BE PERFORMED

A. Operational audit - The independent auditor shall perform an "operational audit" on the Town's Finance Department that will focus on the following four objectives:

1. Testing of the adequacy of controls for preventing waste and safeguarding assets.
2. Checking for compliance with laws, regulations and adopted policies and procedures, adopted or generally accepted methods of handling cash receipts and property documenting all forms of disbursements. Such adopted policies shall include:
  - a. Purchasing Policies and Procedures
  - b. Investment Policy
3. Assessment of the accuracy of financial reports and management information.
4. Evaluation of overall department efficiency and effectiveness in daily operations and in project/contract administration.

#### III. REPORT PREPARATION

A. Required Reports

Based on the special comprehensive financial audit services performed, the Auditor must issue the following reports:

1. A report on the internal control structure based on the Auditor's understanding of the control structure and assessment of control risk. The Auditor shall communicate all reportable conditions (as defined by the AICPA) found during the audit in the report on internal controls. Non-reportable conditions discovered by the Auditor shall be reported either in the report on internal controls or in a separate letter to management. If the non-reportable conditions are reported in a separate letter, the letter shall be referred to in the report on internal controls.
2. A report on compliance with the requirements applicable to all laws, regulations and adopted policies and procedures. The Auditor shall communicate all instances of noncompliance with the requirements governing these issues in a Schedule of Findings and Questioned Costs.
3. A report on the accuracy of financial reports and management information supplied by the Finance Department for the prior fiscal year and such other periods as determined by necessity. The Town currently uses the Bright system for all accounting and treasury functions.
4. A report on the overall efficiency and effectiveness of the Finance Department in general.
5. Auditors shall be required to make an immediate, written report of all irregularities and illegal acts of which they become aware to the Town Council and Town Manager.

B. Draft Reports

The Auditor shall have drafts of the "comprehensive financial audit services" reports and recommendations to management available for review by the Town Council and Town Manager by December 15, 2002.

F. Report Preparation

Report preparation, editing and printing shall be the responsibility of the Auditor. Within 10 days after approval of the draft report by the Town Manager, the Auditor shall furnish 15 copies of the Special Comprehensive Financial Audit Report to the governing body. The Town's CAFR for the year ending 06/30/2001 may be obtained in PDF format by visiting the Town's website <http://ci.warrenton.va.us>.

IV. REPRESENTATION OF THE TOWN

A. Information Overview

A description of the Town and pertinent background information has been included in the attached Information Overview.

B. Current Funds

The following are current funds of the Town:

Governmental Fund Types:

General Fund

Capital Projects Funds:

General Capital Projects Fund

Proprietary Funds:

Enterprise Funds:

Water and Sewer Utility Fund

Internal Service Funds:

Motor Pool Fund

Trust and Agency Funds:

Agency Fund

Retirement Fund

Account Groups:

General Fixed Assets

General Long Term Debt

C. The Finance Department currently performs the following functions for the Town:

1. Accounts Payable
2. Treasurer Function
3. Business Licenses
4. Risk Management
5. Purchasing
6. Investment of Public Funds
7. Payroll
8. Utility Billing
9. Human Resources
10. Data Processing
11. Budgeting
12. GFOA Financial Reporting - CAFR and Budget

V. ASSISTANCE TO BE PROVIDED TO THE AUDITOR

A. Books of Account

The Town represents that the books of account shall be fully balanced, all subsidiary ledgers reconciled to control accounts, and all bank accounts for all months reconciled no later than 30 days immediately following statement date.

B. Schedules

The Town staff shall prepare the following information on forms acceptable to the Auditor:

1. A final trial balance of each fund;
3. A copy of the final budget presented to Council for the audit period, the original budget ordinance for the audit period and all amendments to the budget ordinance;
4. Copies of all internal policies and procedures used by the Finance Department.

5. A schedule of investments of all funds at statement date showing both book value and estimated market value at statement date;
  6. Such reasonable schedules as may be requested by the auditors necessary to perform the scope of services requested.
- C. Other Assistance
- The staff of the Finance Department will be available during the audit to assist the firm by providing information and explanation.

## VI. PROPOSAL

- A. Format of the Proposal
- Proposals should be as thorough and detailed as possible so that the Town may properly evaluate your capabilities to provide the required services. The Auditor is required to submit the following items as a complete proposal:
1. Title Page  
Show the RFP subject, the name of the proposer's firm, local address, telephone number, name of contact person and date.
  2. Letter of Transmittal that includes:
    - a. A statement by the prospective Auditor of his understanding of the work to be done with descriptions of the audit approach and illustrations of the procedures to be employed.
    - b. The approximate date the audit will begin (including preliminary field work) and end, as well as approximate dates for delivery of the financial statements and Auditor's reports.
    - c. Biographies, including experience, of the individuals who will be assigned to the engagement, relevant experience of each in auditing municipalities, and recent continuing professional education of each.
    - d. Names, addresses and telephone numbers of persons who may be contacted for references.
    - e. History of the firm, including number of years in business, size of firm and number of governmental contracts in force.
  3. Representation of the Auditor
    - a. The firm must provide a positive statement that it is independent of the Town of Warrenton as that term is defined in the Ethical Rules of the AICPA.
    - b. The firm must provide a positive statement indicating that the firm and the partner assigned to the engagement are licensed to perform the audit as provided in the applicable laws of the Commonwealth of Virginia.

- c. The firm must provide a positive statement indicating that adequate supervision will be provided on a day-to-day basis.
  - d. The firm should provide a positive statement that all staff assigned to the audit have met the continuing education requirements required by Government Auditing Standards issued by the Comptroller General of the United States.
- B. Right to Reject Proposals
 

An authorized representative of the firm shall sign proposals. All information requested must be submitted. Failure to submit all requested information may result in the rejection of the proposal. Mandatory elements are those required by law or regulation or are such that they cannot be waived and are not subject to negotiation.

Each copy of the proposal should be bound or contained in a single volume where practical. All documentation submitted with the proposal should be contained in that single volume.

The Town reserves the right to award a contract in whole or in part based upon available funding.
- C. Deadline for Submission
 

In order to be considered for selection, Auditors must submit a complete response to the Request for Proposal. One (1) original and nine (9) copies of each proposal must be submitted to the Town. Copies of the proposal should be forwarded to the Purchasing Director, P O Drawer 341, 18 Court Street, Warrenton, VA 20186 no later than 2:00 p.m. on October 4, 2002.
- D. Inquiries concerning the request for proposal should be directed to:
 

Richard M. Heartley  
Deputy Finance Director/Purchasing Agent  
P O Drawer 341  
Warrenton, VA 20188  
Phone 540-347-1102.  
e-mail rmh@ci.warrenton.va.us

## VII. SELECTION CRITERIA

Selection criteria will include the following:

- A. MANDATORY ELEMENTS
 

Representations of the Auditor described in Sect. VI(A)(3) are considered mandatory elements of the proposal. Only firms that meet the mandatory criteria will be considered during the evaluation process.
- B. EVALUATION CRITERIA
  1. The specific plans or methodology to be used in performing the audit (i.e., the

audit approach).

2. The skill, experience and training of the specified persons who will be performing the services requested.
3. The prior experience and reputation of the Auditor in auditing governmental units similar to the Town.
4. References from other local governments or clients.
5. Ability to complete the audit and submit the financial statements and Auditor's reports to the Auditor of Public Accounts by the required deadline.

#### VIII. SELECTION PROCESS/AWARD OF CONTRACT

The selection process will be in accordance with Section 11-37(6) of the Code of Virginia. The Town shall engage in individual discussions with two or more offerors deemed fully qualified, responsible and suitable on the basis of initial responses and with emphasis on professional competence, to provide the required services. Such offerors shall be encouraged to elaborate on their qualifications and performance data or staff expertise pertinent to the audit. This Request for Proposal, is not, however, requesting that offerors furnish estimates of man-hours or cost of services. At the discussion state, the Town may discuss non-binding estimates of total costs. Proprietary information from competing offerors shall not be disclosed to the public or to competitors.

At the conclusion of the discussion, on the basis of the selection criteria listed in this Request for Proposal and all information developed in the selection process to this point, the Town shall select in order of preference two or more offerors whose professional qualifications and proposed services are deemed most meritorious. Negotiations shall then be conducted, beginning with the offeror ranked first.

If a contract satisfactory and advantageous to the Town can be negotiated at a price considered fair and reasonable, the award shall be made to that offeror. Otherwise, negotiations with the offeror ranked first shall be formally terminated and negotiations conducted with the offeror ranked second, and so on until such a contract can be negotiated at a fair and reasonable price. Should the Town determine in writing and in its sole discretion that only one offeror is fully qualified, or that one offeror is clearly more highly qualified and suitable than the others under consideration, a contract may be negotiated and awarded to that offeror.

#### IX. MEETINGS

Conferences between the Auditor, the Town Manager, and Council Finance Committee should be scheduled by the selected Auditor before the preliminary work and at the end of the fieldwork. The purpose of the meetings is to keep the governing body fully informed on the scope and progress of the audit. A draft of the final report shall be furnished to the Town Council and Town Manager for their comments by December 15, 2002.



The Town's current auditing firm - Robinson, Farmer Cox Associates will be available for telephone consultation at the request of the Auditor.

#### X. PAYMENT TERMS

Terms are net, 30 days from date of invoice or approval of invoice by Town Manger, whichever is later

#### XI. OTHER MATTERS

- A. Respondents should contact Richard M. Heartley, Deputy Finance Director, to answer any questions that might arise and to discuss general background information on the government and its operation.
- B. The information outlined on the attached information overview will be made available at the pre-proposal conference, if any, referred to in Section I.
- C. The Auditor hereby agrees to retain all books, records, and other working papers relative to this contract for five (5) years after the final payment. The Town, its authorized agents, and or state and federal auditors shall have full access to and the right to examine any of said materials during said period.
- D. CANCELLATION OF CONTRACT: The Town reserves the right to cancel and terminate any resulting contract, in part or in whole, without penalty, upon 60 day written notice to the Auditor. Any contract cancellation notice shall not relieve the Auditor of the obligation to complete an audit commenced prior to the effective date of the cancellation.
- E. DEFAULT: In case of failure to deliver services in accordance with the contract terms and conditions, the Town, after due oral and written notice, may procure them from other sources and hold the Auditor responsible for any resulting additional purchase and administrative costs. This remedy shall be in addition to any other remedies that the Town may have.
- F. EXCUSABLE DELAY: The Town shall not be in default by reason of any failure in performance of this agreement in accordance with its terms if such failure arises out of causes beyond its control and without the fault or negligence of the Town. Such causes, may include, but are not restricted to acts of God or the public enemy, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, and unusually severe weather, but in every case the failure to perform must be beyond the reasonable control and without the fault or negligence of the Town.
- G. QUALIFICATIONS OF PROSPECTIVE BIDDER: The Town may make such reasonable investigations as are deemed proper and necessary to determine the ability of the firm proposing to perform the work. The Town reserves the right to reject any proposal if the evidence submitted by the firm, or investigations of the firm, fail to satisfy the Town that such firm is properly qualified to carry out the obligations of the contract and to complete the work contemplated therein.

- H. ANTI-DISCRIMINATION : By submitting their proposals, the Auditor certifies to the Town that they will conform to the provisions of the Federal Civil Rights Act of 1964, as amended, as well as the Virginia Fair Employment Act of 1975, as amended, where applicable, Section 11-51 of the Virginia Public Procurement Act, and the American Disability Act of 1990.
- I. ETHICS IN PUBLIC CONTRACTING: By submitting their proposals, the Auditor certifies that their bids or proposals are made without collusion or fraud and that they have not offered or received any kickbacks or inducements from any other bidder/offeror, supplier, manufacturer or subcontractor in connection with their bid or proposal, and that they have not conferred on any public employee having official responsibility for this procurement transaction any payment, loan, subscription, advance, deposit of money, services, or anything of more than nominal value, present or promised, unless consideration of substantially equal or greater value was exchanged.

## ATTACHMENT

### Information Overview

#### TOWN OF WARRENTON WARRENTON, VIRGINIA

##### A. Background Information:

###### 1. Description of the Town

The Town of Warrenton, the County seat and largest town in Fauquier County, is located in the upper Piedmont region of Virginia at the foot of the Blue Ridge Mountains. Warrenton is approximately 40 miles southwest of Washington, D.C., 35 miles northwest of Fredericksburg, Virginia, and 70 miles northeast of Charlottesville, Virginia.

The Town contains 4.25 square miles at June 30, 2002.

###### 2. Population

6,760 for 2001, estimate

###### 3. Description of Enterprises Operated

- a. Water Distribution System with approximately 3,569 customers as of June 30, 2002.
- b. Sewage Treatment System with approximately 3,117 customers as of June 30, 2002.

###### 4. Personnel/payroll

- a. Full-time authorized positions = 97
- b. Part-time employees = 5
- c. Average number of payroll checks/ACH items issued = 375 month
- d. Total payroll expenses for CY 2001 = \$ 3,748,010

###### 5. Tax Collections

- a. Estimated number of property tax bills issued FY 2001 = 9,815
- b. Real Estate Tax Assessed FY 2001 = \$ 259,108.
- c. Personal Property Tax Assessed FY 2001 = \$ 534,121.

###### 6. Enterprise Billings

- a. Average number of bills per month = 3,597
- b. Number of billings per month = 1
- c. Average number of delinquent bills at the end of each month = 525

7. Purchasing

- a. Average number of purchase orders issued per month = 15
- b. Average dollar value of purchase orders issued per month = \$25,000

8. Bank Accounts

- a. One primary depository account.
- b. One overnight repurchase agreement account.
- c. Two Disbursement Accounts established as zero balance accounts.
- d. Five money market accounts with an average monthly total number of transactions estimated at 100.
- e. Seven investment accounts in the Virginia Local Government Investment Pool.
- f. Investments in United States Treasury Obligations.
- g. Numerous certificates of deposit held at local financial institutions.
- h. One broker account for US Agency Investments.

9. Accounting Records

The Town last updated its data processing system in FY 1995 by purchasing the Bright & Associates system. The Town currently uses the following modules:

- a. Accounting
- b. Payroll
- c. Personnel
- d. Accounts Payable
- e. Purchasing
- f. Utility Billing
- g. Commissioner
- h. Treasurer

10. Special Conditions

None

11. Changing Conditions Since the End of the Preceding Fiscal Year

None

B. Basis of Accounting

The Town prepares its budgets on a basis of accounting consistent with generally accepted accounting principles (GAAP).

C. Federal Assistance

The following is a complete list of all Federal Assistance Programs:

Miscellaneous minor federal grants.

D. Pension Plans

The Town contributes to the Virginia Retirement System (VRS), an agent multi-employer defined benefit public employee retirement system.

The Town contributes to the International City Managers Association's Section 457 Deferred Compensation Plan

E. Reporting Entity

The governing body has created the following separately functioning Authorities, Boards and Commissions:

- Planning Commission
- Board of Zoning Appeals
- Architectural Review Board
- Building Review Code Board

F. Internal Audit Function

The Town does not maintain an internal control function.